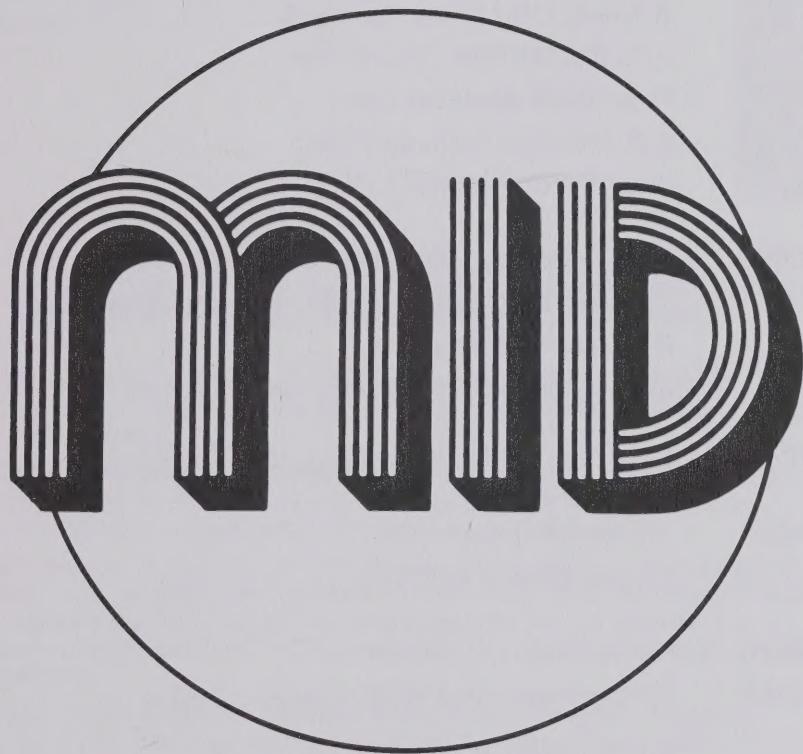


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17th ANNUAL REPORT / DECEMBER 31, 1972



**MID INDUSTRIES
AND EXPLORATIONS LIMITED**

(No Personal Liability)

**CONSOLIDATED FINANCIAL
STATEMENTS
DECEMBER 31, 1972**

MID INDUSTRIES AND EXPLORATIONS LIMITED

DIRECTORS	W. G. DINGWALL, Toronto, Ont. R. J. GIRARD, Windsor, Ont. S. McKEOUGH, Cedar Springs, Ont. A. D. PATTERSON, Toronto, Ont. N. M. SHAW, Montreal, Que. J. R. SHEMILT, Willowdale, Ont. H. S. TENNANT, London, Ont.
OFFICERS	W. G. DINGWALL, President – Chief Executive Officer J. T. MULLIGAN, Financial Vice-President – Treasurer R. I. MARTIN, Secretary MISS EDITH GRAF, Asst. Secretary-Treasurer
HEAD OFFICE	Suite 1010, 615 Dorchester Blvd. West, Montreal 101, Que.
EXECUTIVE OFFICES	110 Church Street Toronto, Ontario M5C 2G6
CO-TRANSFER AGENTS AND REGISTRAR	ROYAL TRUST COMPANY 630 Dorchester Blvd. West, Montreal, Quebec ROYAL TRUST TOWER – P.O. Box 7500 Station "A", Toronto, Ontario M5W 1P9
AUDITORS	CLARKSON, GORDON & CO. Box 251, Toronto Dominion Centre Toronto, Ontario M5K 1J7
LISTED	Canadian Stock Exchange

REPORT OF THE PRESIDENT

To the Shareholders of
MID INDUSTRIES AND EXPLORATIONS LIMITED
(Formerly Mid Chibougamau Mines Ltd.)
(No Personal Liability)



The year ending December 31, 1972 represents the first full year of operations of your Company after giving effect to the corporate reorganization undertaken the previous year.

The problems involving Red Barn System (Western) Limited were resolved during the year. That company is now wholly-owned by your Company and has ceased operation in the fast food business.

Mid Collision and Equipment was established in Toronto, and operations of this firm commenced February 1, 1973. This is a further involvement in the transportation services industry to more fully complement our present activities.

With greater efficiencies resulting from additions to existing facilities and the high level of activity in our market areas, both Dingwall Ford in Windsor and Sherway Ford Truck in Toronto attained planned objectives in sales and profits. We are confident that, if existing market conditions prevail for the balance of this year, both sales and earnings will further improve.

Management believes that it has substantially improved the Company's financial position, and they are devoting their efforts to a continuation of this program.

Your Directors have made a capital distribution of one (1) cent per share, payable June 1, 1973. It was felt that this would be more beneficial to shareholders than an income dividend, although it was recognized that the cost base for capital gains tax purposes would be lowered for each shareholder.

The success enjoyed by the Company in 1972 results from the support and the enthusiastic efforts of our management and employees. I wish to express on behalf of myself and the Board of Directors our sincere thanks, and ask for their continued efforts in the future.

Respectfully submitted on behalf of the Board of Directors.

March 20, 1973

W.G. DINGWALL
President

**MID INDUSTRIES
AND EXPLORATIONS LIMITED**

(No Personal Liability)

(Incorporated under the Quebec Mining Companies Act)

CONSOLIDATED BALANCE SHEET, DECEMBER 31, 1972

ASSETS

	<u>1972</u>	<u>1971</u>
Current:		
Cash	\$ 176,364	\$ 269,460
Marketable securities, at cost less provision for loss (market value; 1972 – \$133,852; 1971 – \$95,024)	95,024	95,024
Accounts receivable	1,914,582	1,720,756
Inventories (note 3)	3,065,347	2,049,028
Income taxes recoverable		196,987
Prepaid expenses	40,545	22,116
Total current assets	<u>5,291,862</u>	<u>4,353,371</u>
Lease (note 4):		
Leased vehicles, at amortized cost	1,069,588	1,115,534
Lease purchase contracts, net of deferred revenue	859,849	367,465
Total lease assets	<u>1,929,437</u>	<u>1,482,999</u>
Fixed, at cost:		
Furniture and fixtures, equipment and leasehold improvements	631,761	528,288
Less accumulated depreciation and amortization	226,801	210,218
Net fixed assets	<u>404,960</u>	<u>318,070</u>
Other:		
Due from a director (note 5)	56,250	61,250
Mining claims, at nominal value	1	1
Excess of cost of shares acquired over fair value of underlying net assets of subsidiary companies at date of acquisition	739,509	739,509
Total other assets	<u>795,760</u>	<u>800,760</u>
	<u><u>\$8,422,019</u></u>	<u><u>\$6,955,200</u></u>

LIABILITIES AND SHAREHOLDERS' EQUITY

	<u>1972</u>	<u>1971</u>
Current:		
Accounts payable and accrued liabilities	\$ 767,046	\$ 490,465
Customer deposits	47,736	40,779
Income and other taxes payable	204,895	136,125
Lien notes (note 6)	3,225,292	2,503,318
Current portion of long term liabilities (note 7)	111,975	110,565
Total current liabilities	<u>4,356,944</u>	<u>3,281,252</u>
Long term liabilities (note 7)	<u>2,716,829</u>	<u>2,428,597</u>
Deferred income taxes	112,500	226,800
Shareholders' equity:		
Capital stock (note 8) –		
Authorized:		
7,500,000 common shares of no par value		
Issued:		
5,000,000 shares	2,431,257	2,431,257
Deficit (statement 2)	(1,195,511)	(1,412,706)
Net shareholders' equity	<u>1,235,746</u>	<u>1,018,551</u>
On behalf of the Board:		
Director: W. G. DINGWALL		
Director: J. R. SHEMILT		
	<u><u>\$8,422,019</u></u>	<u><u>\$6,955,200</u></u>

(See accompanying notes)

**MID INDUSTRIES
AND EXPLORATIONS LIMITED**

(No Personal Liability)

STATEMENT 2

CONSOLIDATED STATEMENT OF DEFICIT

FOR THE YEAR ENDED DECEMBER 31, 1972

(with figures for the eight months ended December 31, 1971)

	<u>1972</u>	<u>1971</u>
Deficit, beginning of period as previously reported	\$1,412,706	\$1,367,792
Combined income of Dingwall Ford Sales Limited and Windsor Car Rentals Limited for the four months ended April 30, 1971	40,742	
Deficit, beginning of period as restated	1,327,050	
Profit (loss) for the period (statement 3)	217,195	(85,656)
Deficit, end of period	<u>\$1,195,511</u>	<u>\$1,412,706</u>

(See accompanying notes)

AUDITORS' REPORT

To the Shareholders of
Mid Industries and Explorations Limited
(No Personal Liability):

We have examined the Consolidated balance sheet of Mid Industries and Explorations Limited (No Personal Liability) as at December 31, 1972 and the consolidated statements of profit and loss, deficit and source and application of funds for the year then ended and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion and according to the best of our information and the explanations given to us, and as shown by the books of the Companies, these consolidated financial statements are properly drawn up so as to exhibit a true and correct view of the state of the consolidated affairs of the companies as at December 31, 1972 and the consolidated results of their operations and the consolidated source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

Toronto, Canada,
March 6, 1973.

CLARKSON, GORDON & CO.
Chartered Accountants

**MID INDUSTRIES
AND EXPLORATIONS LIMITED**

(No Personal Liability)

STATEMENT 3

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

FOR THE YEAR ENDED DECEMBER 31, 1972

(with figures for the eight months ended December 31, 1971)

	<u>12 months December 31, 1972</u>	<u>8 months December 31, 1971</u>
Sales and earned income	<u>\$20,629,371</u>	<u>\$10,449,944</u>
Costs and expenses:		
Cost of sales and expenses exclusive of the undernoted items	19,601,052	9,918,791
Depreciation and amortization –		
Leased vehicles	355,949	210,167
Furniture and fixtures, equipment and leasehold improvements	67,789	60,157
Interest on long term liabilities	209,286	118,686
	<u>20,234,016</u>	<u>10,307,801</u>
Profit before income taxes and extraordinary items	395,295	142,143
Income taxes	198,100	81,725
Profit before extraordinary items	197,195	60,418
Extraordinary items:		
Loss on sale of shares of a subsidiary Company (note 2)	(40,000)	
Recovery of income taxes provided resulting from the application of an income tax loss carry forward	60,000	
Provision for loss on investment in Red Barn System (Western) Limited		(89,999)
Loss on discontinuance of operations of a subsidiary company		<u>(56,075)</u>
Profit (loss) for the period	<u>\$ 217,195</u>	<u>\$ (85,656)</u>
Profit (loss) per share (note 11):		
Before extraordinary items	<u>\$ 0.04</u>	<u>\$ 0.01</u>
For the period	<u>\$ 0.04</u>	<u>\$(0.02)</u>

(See accompanying notes)

**MID INDUSTRIES
AND EXPLORATIONS LIMITED**

(No Personal Liability)

STATEMENT 4

**CONSOLIDATED STATEMENT OF SOURCE
AND APPLICATION OF FUNDS**

FOR THE YEAR ENDED DECEMBER 31, 1972

(with figures for the eight months ended December 31, 1971)

	<u>12 months December 31, 1972</u>	<u>8 months December 31, 1971</u>
Source of funds:		
From operations –		
Net profit (loss) for the period	\$ 217,195	\$ (85,656)
Add (deduct) items not requiring an outlay of funds:		
Depreciation and amortization –		
Leased vehicles	355,949	210,167
Furniture and fixtures, equipment and leasehold improvements	67,789	60,157
Deferred income taxes	(34,400)	226,800
Profit on disposal of fixed assets and leased vehicles	(18,026)	(14,060)
Write down of investment in Red Barn System (Western) Limited		89,999
Deferred research and development costs written off		51,733
Funds provided by operations	588,507	539,140
Increase in long term liabilities – net	288,232	2,428,597
Proceeds on disposal of leased vehicles	332,709	
Principal repayments on lease purchase contracts	217,006	32,418
Proceeds on sale of fixed assets	80,071	
Reduction on loan to a director	5,000	5,000
Share capital issued net of discount		410,000
Combined income of Dingwall Ford Sales Limited and Windsor Car Rentals Limited for the four months ended April 30, 1971		40,742
Total source of funds	1,511,525	3,455,897
 Application of funds:		
Additions to lease purchase contracts	709,390	399,883
Additions to leased vehicles	618,198	1,441,648
Additions to fixed assets	241,238	207,267
Deferred income taxes	79,900	
Excess of cost of shares acquired over fair value of underlying net assets of subsidiary companies at date of acquisition		739,509
Total application of funds	1,648,726	2,788,307
 Increase (decrease) in working capital for the period	(137,201)	667,590
Working capital, beginning of period	1,072,119	404,529
Working capital, end of period	\$ 934,918	\$ 1,072,119

(See accompanying notes)

MID INDUSTRIES AND EXPLORATIONS LIMITED

(No Personal Liability)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1972

1. Principles of consolidation

The consolidated financial statements include the accounts of the company and its subsidiaries, all of which are wholly-owned, including Dingwall Ford Sales Limited and Sherway Ford Truck Sales (1972) Limited. Reference is also made to note 2.

2. Acquisitions

During the year the company:

- (a) Acquired the shares of a company engaged in a truck leasing business. The business proved unsatisfactory and was disposed of shortly after its acquisition.
- (b) Entered into an agreement whereby it acquired the outside interest in Red Barn System (Western) Limited for a nominal amount. Prior to the acquisition, Red Barn System (Western) Limited sold its net operating assets and former business undertaking. Red Barn System (Western) Limited is in the process of establishing a new automotive service business under the name Mid Collision and Equipment. The consolidated financial statements reflect only the assets and liabilities of Red Barn System (Western) Limited at December 31, 1972. The company's interest in the losses of the former undertaking of Red Barn System (Western) Limited have been fully provided in accounts of the company in previous years.

3. Inventories

	1972	1971
New vehicles, at the lower of cost and estimated realizable value	<u>\$2,400,253</u>	<u>\$1,457,589</u>
Used vehicles, at the lower of cost and estimated realizable value	<u>328,065</u>	<u>245,113</u>
Parts, accessories, supplies and other at replacement cost	<u>337,029</u>	<u>346,326</u>
	<u><u>\$3,065,347</u></u>	<u><u>\$2,049,028</u></u>

4. Lease assets

During the year a subsidiary company entered into a significantly increased number of lease agreements in which the cost of the vehicles is recovered from the lease payments. In accordance with current accounting practice the present value of the future payments under the contracts is recorded in the balance sheet under the caption "lease purchase contracts". In the prior year contracts entered into of this type were not significant in number and although accounted for, in effect, on a basis similar to that followed in 1972 they were presented differently in the financial statements. In order to conform the presentation for the two years, the 1971 financial statements have been reclassified.

In addition to the above, a subsidiary company has entered into lease agreements with customers under which the present value of lease payments results in a residual value for the vehicles. Such vehicles are recorded as leased vehicles and are depreciated to their estimated realizable value over the period of the related lease agreements.

5. Due from a director

During the year ended April 30, 1970, 125,000 shares were issued to a director and officer of the company for \$71,250. These shares are presently being held in escrow pending payment therefor. In accordance with the terms of an agreement under which the shares were issued, and subsequent amendments thereto, remaining instalments of \$5,000 each are due on April 30, 1973 and 1974 and the balance of \$51,250 is to be settled on April 30, 1975.

6. Lien notes

The lien notes payable totalling \$3,225,292 are secured by liens on specific new vehicles and company and service vehicles.

7. Long term liabilities

	Current	Long-term	Total
Due to parent company, at 7%	\$ 36,860	\$ 184,280	\$ 221,140
Other –			
Bank loan, at the prime bank rate plus 1½ %	24,000	28,000	52,000
Conditional sales contracts, at varying interest rates and maturities	23,500	114,097	137,597
Debenture, at 8½ %, due 1976	16,615	266,880	283,495
Debenture, at the prime bank rate plus 1½ % due 1974	11,000	277,389	288,389
	111,975	870,646	982,621
Lien notes on leased vehicles and lease purchase contracts, at varying rates of interest and maturities		1,846,183	1,846,183
	<u>\$111,975</u>	<u>\$2,716,829</u>	<u>\$2,828,804</u>

The principal payment requirements on other than lien notes on leased vehicles and lease purchase contracts are as follows:

1973	1974	1975	1976	1977	After 1977	Total
<u>\$111,975</u>	<u>\$376,105</u>	<u>\$77,385</u>	<u>\$283,759</u>	<u>\$55,960</u>	<u>\$77,437</u>	<u>\$982,621</u>

Lien notes on leased vehicles and lease purchase contracts maturing in 1973 and subsequent years are offset in each year by payments due on lease agreements with customers and in certain cases by anticipated proceeds on the sale of lease vehicles in the year in which the lease agreement expires. Accordingly lien notes on leased vehicles and lease purchase contracts maturing in 1973 are not included in current liabilities.

The principal repayment requirements on lien notes on lease vehicles and lease purchase contracts are as follows:

1973	1974	1975	1976	1977	Total
<u>\$787,742</u>	<u>\$679,329</u>	<u>\$309,907</u>	<u>\$60,549</u>	<u>\$9,467</u>	<u>\$1,846,183</u>

Long term debt is secured by substantially all of the assets of the company and its subsidiaries.

8. Capital stock

During the year Supplementary Letters Patent were obtained to change the common shares of \$1 par value to common shares of no par value and to increase the authorized share capital from 5,000,000 common shares of no par value to 7,500,000 common shares of no par value. The discount of \$2,568,743 from par value on the original issue of 5,000,000 shares has been eliminated from the balance sheet and the common shares are reflected at a stated value equivalent to the proceeds on the issue thereof. The 1971 comparative figures have been restated to reflect this change.

9. Income taxes

The company and its subsidiaries have accumulated income tax losses of approximately \$250,000 which are available to offset future taxable business income and future taxable capital gains. In addition the company has a capital loss of \$20,000 which is available to offset future taxable capital gains.

In prior years the company incurred exploration and development expenses amounting to \$550,000 which have been written off in the accounts but which may be deducted for tax purposes in a year in which the company's principal business is mining, or production of oil and gas, or certain related activities. In addition, these expenses may be deducted from certain types of Canadian oil and gas revenue.

10. Contingent liabilities and contractual obligations

- (a) The companies have discounted customer sales contracts with finance companies. The maximum contingent liability for losses from repossession amounted to approximately \$410,000 at December 31, 1972.
- (b) Under contractual obligations with respect to leased premises the company is committed to aggregate annual rental payments of approximately \$221,000 to 1974, approximately \$217,000 from 1975 to 1978 and approximately \$134,000 in 1979, and approximately \$53,000 from 1980 to 1988.
- (c) Under contracts with Dinvest Management Limited providing for general management services to the two subsidiary companies operating automotive dealerships, these companies are committed to annual fees of \$90,000 each together with a bonus of 20% based upon profits of each of the companies. In 1972 such fees and bonus amounted to approximately \$305,000 (\$139,000 for the eight months ended December 31, 1971).

11. Earnings per share

The earnings per share figures are calculated on the shares issued and outstanding during the period.

12. Comparative figures

Comparative figures have been reclassified to conform with the method of disclosure adopted in 1972.

